

TO: Files

CC: San Diego Audit Committee

FROM: Willkie Farr & Gallagher LLP

RE: Interview of Darlene Morrow-Truver on April 26, 2006

DATED: May 10, 2006

On Wednesday, April 26, 2006, Troy Dahlberg of Kroll and Sharon Blaskey of Willkie Farr & Gallagher LLP ("Willkie") interviewed Darlene Morrow-Truver on behalf of the Audit Committee. Ms. Morrow-Truver was represented by counsel, Robert Friese of Shartsis Friese LLP. Also in attendance were Ryan Merryman and Rahul Khona of KPMG, and Brian Faerstein of Willkie. The interview took place on the third floor of the San Diego City Administration Building and lasted approximately four hours.

The following memorandum reflects my thoughts, impressions, and opinions regarding our meeting with Darlene Morrow-Truver, and constitutes protected attorney work product. It is not, nor is it intended to be, a substantially verbatim record of the interview.

Warnings

Mr. Dahlberg began the interview by explaining the circumstances and purpose of the City of San Diego's (the "City") creation of the Audit Committee, noting that information obtained during the course of the interview would be used, if relevant, to our analysis of the issues and would be reflected in an Audit Committee report. Mr. Dahlberg explained that the Audit Committee does not represent Ms. Morrow-Truver and, thus, statements made during the interview are not covered by the attorney-client privilege. Mr. Dahlberg however asked that Ms. Morrow-Truver treat the matters discussed during the interview as confidential and not share any questions with others. Mr. Dahlberg stressed the importance of Ms. Morrow-Truver being honest and complete in her answers, and informed Ms. Morrow-Truver that if she is unclear about any question, she should ask Mr. Dahlberg to clarify.

Ms. Blaskey added that we would be treating information obtained during the interview as confidential, covered by the work-product privilege during the investigation, but any such privilege would likely be lost with the release of the Audit Committee's report. Ms. Blaskey explained that, if requested, the Audit Committee retains the right to disclose information from the interview to the SEC, the U.S. Attorney's Office or KPMG, so Ms. Morrow-Truver should make sure that she is as accurate as possible.

Mr. Dahlberg stated that the Audit Committee is particularly interested in Ms. Morrow-Truver's recollection of the events surrounding the discovery of errors in the City's financial statements, as she was the one who examined the errors on a real-time basis. Mr.

Dahlberg commended Ms. Morrow-Truver for thoroughly questioning the City about substantive and procedural compliance with financial requirements during that process. Mr. Dahlberg reiterated the importance that everyone be clear about the issues or concepts discussed in the interview and asked her to seek or offer clarification as needed.

Background

At the outset of the interview, Mr. Dahlberg informed Ms. Morrow-Truver that the Audit Committee had a general understanding of her role in reviewing the City disclosure statements, in part as contained in two summaries from her previous interviews with Vinson & Elkins ("V&E"). However, the Audit Committee sought to clarify and expand upon some of the issues addressed in those interview summaries, and also to address new issues. Accordingly, Mr. Dahlberg asked if she would describe her general background and experience working for the City.

Ms. Morrow-Truver stated that she started working for the City after graduating college in 1981. During the 1990's, Ms. Morrow-Truver worked in the City Auditor & Comptroller's Office (the "A&C"), primarily working in the Accounting Division and Payment Services Division of the Accounting Services Program. She noted that she also worked during this time period in the two other major groups within the A&C -- the Audit Program and the Financial Systems Program -- though she spent most of this period on the accounting side of the A&C. Ms. Morrow-Truver left the A&C (and the City) in 2000, only to return to the City shortly thereafter -- she initially believed she returned in October 2002, but later realized that she actually recommenced employment with the City in 2001.

When she returned in 2001, Ms. Morrow-Truver served as the Audit Division Manager until July 2004, at which point she was named Acting Assistant Auditor & Comptroller under Terri Webster, who moved up to replace Ed Ryan as City Auditor & Comptroller. In her capacity as Acting Assistant, Ms. Morrow-Truver dealt with the day-to-day operations of the A&C, a role made easier by the fact that she had worked in all four major groups of the A&C by that time. Ms. Morrow-Truver stated that she does have a solid financial statement preparation background, as she worked in the Accounting Division for between eight-to-nine years.

In August 2005, Ms. Morrow-Truver went to work for the Metropolitan Wastewater Department (the "MWWD"), serving as its Services and Contracts Manager, where she currently remains today. In this capacity, Ms. Morrow-Truver oversees budget issues, conducts expenditure and revenue analysis, administers rate cases and manages general financial issues. She pointed out that her responsibilities are quite broad there and she is not limited to playing a pure accounting-related role.

CAFR Footnote Preparation and Review

Referring generally to Ms. Morrow-Truver's V&E interview summaries, Mr. Dahlberg asked Ms. Morrow-Truver whether it was true that before the period when errors were discovered in City financial statements, preparation of the footnotes in the Comprehensive Annual Financial Report ("CAFR") was mostly the responsibility of the City's outside auditor. Ms. Morrow-Truver explained that in 2002, and certainly before, she believed that A&C staff understood that the outside auditors were in charge of this aspect of the CAFR.

Mr. Dahlberg asked Ms. Morrow-Truver who else was involved in this footnote preparation process. At this point, Ms. Morrow-Truver clarified that her answers about this period mostly reflect knowledge that she acquired in 2003, after she first got involved in the review process of the City's financial statement errors. Ms. Morrow-Truver recalled that Rudy Graciano (Principal Accountant in the Accounting Operations section of the Accounting Division) was primarily responsible for overseeing the preparation of the CAFR. Ms. Morrow-Truver stated that Graciano substantially relied on Karen Hernandez, an accountant and his assistant, in this process. She noted that Marian Thompson (Executive Secretary) was in charge of actually typing up the footnotes. Ms. Morrow-Truver further explained that Graciano relied heavily on the managers of all the other accounting sections to provide accurate information about the City's funds and finances, which information would be rolled up into the collective CAFR.

Mr. Dahlberg asked Ms. Morrow-Truver whether she had knowledge of Graciano's process in reviewing the accuracy and currency of information contained in the CAFR. Ms. Morrow-Truver was not certain how the outside auditor updated the footnote information, but noted that, for example, the A&C would request an "Attorney's Letter" from the City Attorney's Office that contained information about relevant events and litigations that may need to be included in the City's financial statements. Ms. Morrow-Truver posited that, before she took over her role as Acting Assistant Auditor and Comptroller, the A&C probably would have dealt with Assistant City Attorney Les Girard in this process. At this point, Mr. Friese reminded Ms. Morrow-Truver that she needed to distinguish clearly between what she understood before 2003 and what she came to know through her review of the financial statement errors, and also noting that his law firm represented many other City employees in the Audit Committee's investigation. Ms. Morrow-Truver then clarified that she was not certain who the A&C contacted in the City Attorney's Office about updating financial statements in 2002 and before.

Ms. Morrow-Truver explained that accountants in the A&C would also communicate directly with specific departments to obtain relevant information for updating the financial statements. Though she first cited water and sewer as an example, she explained that was actually a bad example, as the responsible Principal Accountant (Ed Wochaski) would have had sufficient information on his own about the ongoing water and sewer issues that he would not have had to communicate directly with that department. As a general matter, she explained that accountants within a specific group would contact the department for which they were responsible for information about the affairs of the department, including any noteworthy changes in operations or financial status. The relevant department or project manager would usually send the accounting group information in the form of a letter that discussed particular matters within the department's purview. Mr. Dahlberg asked Ms. Morrow-Truver whether the accountants would make specific inquiries or just ask the department for a general discussion of issues affecting it. Ms. Morrow-Truver explained that the accountants would sometimes make specific inquiries.

However, Ms. Morrow-Truver emphasized that this information flowed only from the departments and project managers to the A&C; the specific accounting group compiling the information would *not* later send the updated footnote for that particular issue back to the department officials and staff (who would know the relevant information first-hand) for their

review. She further noted that, most often, only the numbers would change with updates, not the text of the footnotes, and she believed that there was not much oversight of this updating process after the information was sent to the outside auditor.

Mr. Dahlberg asked about the preparation and updating of the pension footnote. Ms. Morrow-Truver explained that the pension stand-alone financial statement -- the San Diego City Employees' Retirement System ("SDCERS") CAFR -- was prepared by the retirement accounting group. Ms. Morrow-Truver characterized the preparation of this statement (which was primarily used to update the pension footnote in the City CAFR) as "disjointed." She explained that Cecilia San Pedro, an Accountant IV in the Accounting Operations section, mostly handled retirement issues and prepared the updates to the pension financial statements. However, Ms. Morrow-Truver believed that neither Graciano nor Accounting Division Manager Phil Phillips paid much attention to or reviewed her work on retirement matters.

Drawing upon Ms. Morrow-Truver's earlier statement that Wochaski primarily handled the compilation of MWWD information for the financial statements, Ms. Blaskey asked Ms. Morrow-Truver whether Phillips would review Wochaski's work. Ms. Morrow-Truver posited that she believed Phillips did not review MWWD matters with respect to the 2002 MWWD financial statements until the analysis of the errors in these statements was conducted in late 2003. She believed this to be the case because she recalled Phillips asking questions in 2003 that indicated he had not read the MWWD financial statements previously. She noted that his questions during the review of the FY 2002 City CAFR at that time also indicated he had not previously reviewed the pension footnotes therein. Ms. Morrow-Truver was asked what she believed Phillips' review responsibilities to be as of September 2003. She explained that she would have thought that he would be in charge of final review of the City's financial statements based on the fact that he was paid more than others in the office and he received a bonus for taking charge of the CAFR preparation. Ms. Morrow-Truver believed that Ryan made the decisions about who received a bonus and surmised that Ryan would have thought Phillips was supervising the footnote review process. However, from her conversations with Phillips, Ms. Morrow-Truver believed that Phillips thought that people in the Accounting Division believed Graciano was in charge of this review process.

Mr. Dahlberg asked Ms. Morrow-Truver if Graciano would have been responsible for the pension section of the CAFR. Ms. Morrow-Truver responded that he would not have been, as this was the "disjointed" part of the CAFR preparation process. At this point, Mr. Dahlberg clarified whether it would have been in the hands of SDCERS staff to update the changes that needed to be put in the pension-related financial statements, not anyone on City staff. Ms. Morrow-Truver agreed with this statement.

Mr. Dahlberg asked Ms. Morrow-Truver about her perception of Webster's role in the review process of retirement issues. Ms. Morrow-Truver believed that Webster understood the basic issues affecting the Retirement System, but did not understand the underlying accounting aspects of pension matters. As for GASB and GAAP principles, Ms. Morrow-Truver believed that Webster understood the overall framework but not the specific details. Ms. Morrow-Truver explained that Ryan had more knowledge about these principles, and Phil Phillips was supposed to have had a comprehensive understanding. She believed that neither Graciano nor Phillips had a sufficient grasp of pension issues and relied heavily on the outside auditor for this substantive material. Ms. Morrow-Truver clarified that she believed that

Graciano did not review the pension footnote to the CAFR at all, though he reviewed every other aspect of the CAFR footnotes. Asked how she would have known this, she explained that she was not certain, but that she believed that because Graciano did not have sufficient information about the Retirement System, he could not have reviewed the update of this footnote. Moreover, Ms. Morrow-Truver noted that San Pedro did not have sufficient information about the policy-side of pension issues to have adequately updated the footnote.

Mr. Dahlberg inquired about Ms. Morrow-Truver's understanding of the outside auditor's duties in drafting the footnotes. Ms. Morrow-Truver explained that, because Caporicci & Larson ("C&L") had replaced Calderon, Jaham & Osborn ("CJO") as the City's outside auditor in 2003, it was difficult to examine all of CJO's work files and pension information when the 2003 review process commenced. Ms. Morrow-Truver explained that Tom Saiz was the main employee to transfer from CJO to C&L, but the City did not maintain much other contact with CJO. Ms. Morrow-Truver explained that the City had signed an agreement with CJO requiring it to handle the footnote drafting process.

Ms. Morrow-Truver explained that she spoke with C&L about the City using CJO to prepare the footnotes, and C&L explained that it was not uncommon for smaller clients to depend on them for the drafting of financial statement footnotes. Ms. Morrow-Truver stated, "in retrospect, the City should have taken more responsibility, but I don't think [the delegation of this responsibility] was uncommon, especially for a smaller government." Ms. Blaskey asked whether there was nonetheless an expectation by the outside auditor that the City would provide to it all relevant information. Ms. Morrow-Truver responded affirmatively. Based on her review in 2003 and 2004, Ms. Morrow-Truver explained that, from 1999 to 2002, the numbers changed but the text of the footnotes mostly stayed the same, and this reality would have been rather clear to anyone taking an interest. Ms. Morrow-Truver pointed out that CJO also audited the SDCERS CAFR, so they would have had at least some knowledge about the developments with the Retirement System.

Mr. Dahlberg asked Ms. Morrow-Truver whether she believed that the operational staff in City government -- those working in City departments or on particular City projects -- would read the footnotes after the financial statements were completed. Ms. Morrow-Truver was not certain, but she did not believe that there was a final review by operational employees to make sure matters were stated correctly. Asked whether she believed that SDCERS Board Administrator Lawrence Grissom would have reviewed the pension footnote, Ms. Morrow-Truver stated she did not know. She explained that, in 2003, they changed the review procedure such that after information is received from City departments and new information is incorporated into the footnotes, the footnotes are sent back to the departments to be reviewed for accuracy.

GASB Compliance

Mr. Dahlberg inquired about GASB expertise within the A&C, referring to Ms. Morrow-Truver's V&E interview summaries which stated that the City mostly relied on the outside auditor for such knowledge and that Phil Phillips and Graciano were likely the most knowledgeable about GASB. Ms. Morrow-Truver stated that she believed Ryan mostly relied on Graciano for this knowledge. She noted that when she returned to work for the City, she attended a GASB update course, which generally were provided on an annual basis. Mr.

Dahlberg asked whether Ms. Morrow-Truver understood how disagreements about GASB requirements were resolved within the A&C in 2001 and 2002, *i.e.* would Ryan be consulted or would the issue just be referred to CJO. Ms. Morrow-Truver explained that these issues would generally be delegated to CJO, but she had learned subsequently of one particular issue that was not discussed outside of the A&C. Ms. Morrow-Truver noted that this issue related to Ryan's decision not to implement the new GASB 34 requirements as to the booking of revenue in June 2002. She was not aware of any other specific incidents of GASB non-compliance.

Ms. Blaskey asked Ms. Morrow-Truver whether she recalled hearing from any staff members that they felt forced by Ryan to take any questionable action. Ms. Morrow-Truver responded that she was not aware of any such occasions, explaining that while Ryan had strong opinions, she did not believe that people had fundamental differences of opinion with him. Rather, they would usually just disagree with him about policy issues. She posited as an example an occasion where staff members asked Ryan to add a new staff position but he did not believe that the position was necessary or within the A&C's budget.

Budget Issues

Ms. Blaskey asked Ms. Morrow-Truver whether she recalled any issues concerning the budget being understated in terms of expected expenditures at the beginning of the fiscal year. Ms. Morrow-Truver acknowledged that it was generally known among staff that the budget heading into any given year was insufficient. As an example, Ms. Morrow-Truver explained that data processing costs were not stated in the budget and usually would have to be drawn from a "different pot of money." She explained that, even in 2005, City Manager Lamont Ewell informed City Council that the budget was not sufficiently funded for projected Fire Department and Police Department costs. Ms. Blaskey asked Ms. Morrow-Truver whether Ryan was involved in the budget process. She explained that he was very involved with the City Manager's Office with regard to budget issues. Ms. Morrow-Truver clarified that she did not believe the budget was ever stated "incorrectly," but rather may have just been too "optimistic," borrowing the word proffered by Ms. Blaskey. Ms. Morrow-Truver believed that such a state of affairs was just a "fact of life."

Remediation

Referring to Ms. Morrow-Truver's ideas for remediation discussed in her V&E interview summaries, Mr. Dahlberg asked Ms. Morrow-Truver whether she had any new ideas or could augment her previous discussion. Ms. Morrow-Truver stated that the A&C employees needed more comprehensive technical training, especially with regard to GASB requirements. She believed that understaffing was a serious problem, as she recalled that there was not adequate time for training because of the overwhelming nature of the work. She understood that this was a budget issue, but pointed out that it had significant ramifications because staff did not always have sufficient time to delve into issues deeply. She also believed that the City previously over-relied on the outside auditors. She explained that the A&C should be mandated to put together the CAFR footnotes and stand-alone financial statements completely and independently.

Ms. Morrow-Truver also explained that she had "sign-off" suggestions. First, she believed that there should be one person responsible for accepting the changes to the footnotes

rather than several different groups signing off on different sections. She believed that at least an Accountant IV should be charged with this responsibility and noted that the coordinator should have to provide documentation in support of the acceptance of each change.

Second, Ms. Morrow-Truver believed that there should be a certification process when an entity provided financial information that was incorporated into the financial statements. As an example, she explained that when the Real Estate Assets Department provided the A&C with a lease report, which was used to update the footnote on the City's real estate matters, the updated footnote should ultimately be sent back to the Real Estate Assets Department for review. Ms. Morrow-Truver pointed out that the people at City departments undertaking this final review should not be too high up in the bureaucratic hierarchy, as directors likely do not have a sufficient background in financial statements to conduct a pointed review.

Third, Ms. Morrow-Truver explained that the City CAFR footnotes should be cross-checked with different governmental entities' stand-alone financial statements. She suggested that this "quality control" check be conducted by the Audit Division of the A&C, such that there is some distance from the accountants originally compiling and organizing the information. Ms. Morrow-Truver further suggested that the accountants should assemble supporting information along with the footnotes to facilitate the review of the Audit Division.

Mindset of A&C Staff as to Financial Statement Errors

Referring to her V&E interview summaries, Mr. Dahlberg stated that Ms. Morrow-Truver had previously suggested that she did not believe the errors made in the 2002 financial statements were intentional. Ms. Morrow-Truver clarified that, aside from the GASB 34 incident, she did not have knowledge that any of the errors and omissions were intentional. Mr. Dahlberg clarified whether she was referring to the mindset of Accounting Division staff and management, to which she responded affirmatively. Mr. Dahlberg asked her whether Ryan or Webster would have left certain information out intentionally. She believed they would not have. Asked whether she ever talked to anyone in any of the divisions and sections of the A&C about specific omissions from the financial statements, Ms. Morrow-Truver clarified that she concluded then and now that the problems simply arose out of sloppiness.

Mr. Dahlberg pointed out that the pension footnote stated for many years that the City's contribution to the Retirement System was based on actuarially-determined rates, inquiring incredulously that someone must have known this statement was inaccurate. Ms. Morrow-Truver did not believe that this statement was intentionally misleading. She interpreted the statement and the reality as follows: the statement explained what was supposed to be done; the City did not actually pay the full rate; and thus there was a Net Pension Obligation ("NPO") as stated in the footnote. She conceded that the language was not as clear as it could have been, but did not believe it was intentionally misleading. Mr. Dahlberg asked Ms. Morrow-Truver about the statement appearing in this section of the footnote that states the NPO is funded in a reserve. Ms. Morrow-Truver explained that, based on her conversations with Webster, those who drafted this section of the footnote were aware that the NPO was in fact supported by a reserve within SDCERS. Ms. Morrow-Truver understood that these people were so "involved in the details" that they could not step back and conceive of the language as confusing (i.e. that it implied that the reserve was in the City's General Fund).

Ms. Blaskey asked Ms. Morrow-Truver whether she could recall her first discussion with Webster about the footnote errors. Ms. Morrow-Truver explained that Webster was the first person in the A&C to recognize that there were errors in the actuarial tables of the pension footnote. Ms. Morrow-Truver explained the chronology of events surrounding the discovery of the errors in the 2002 CAFR. First, Ms. Morrow-Truver recalled that SDCERS Board member Diann Shipione brought the A&C's attention to potential problems with the 2003 Sewer Preliminary Official Statement, in particular to the pension footnote in the attached 2002 MWWD financial statement. Ms. Morrow-Truver could not recall Shipione's specific allegations. Ms. Morrow-Truver clarified later in the interview that she believed, but was not certain, that the allegations of inaccuracy had come from outside bond counsel Paul Webber, not Shipione. Ms. Morrow-Truver recalled she had conversations in August 2003 with Webster after Webster identified the issues in the pension footnote, including a miscalculated number for the Deferred Retirement Option Plan ("DROP") in a data table. Ms. Morrow-Truver explained that Webster had a good understanding of the Retirement System, which likely aided her in making this discovery. Ms. Morrow-Truver was then directed by Ryan to examine every footnote in the 2002 City CAFR and, subsequently, in the 2002 MWWD and Water Department financial statements. Ms. Morrow-Truver recalled that she did not have a discussion with Webster regarding the pension footnote until September 2003, when they started their comprehensive review process of the 2002 financial statements.

2002 CAFR

At this point, Mr. Dahlberg showed Ms. Morrow-Truver the 2002 City CAFR (Exhibit 1). Mr. Dahlberg asked Ms. Morrow-Truver about SDCERS Actuary Rick Roeder's involvement in reviewing the pension footnote. Ms. Morrow-Truver recalled that the A&C had discussed the "corridor funding" method with Roeder at some point in the process, but Ms. Morrow-Truver explained that she did not know whether he would have been part of the process of review during the relevant period because that was mostly CJO's responsibility. Mr. Dahlberg asked Ms. Morrow-Truver whether she recalled understanding that the corridor funding method had not been approved by GASB or whether this was something that only Roeder would have been aware of at the time. Ms. Morrow-Truver could not recall and noted that she could not be certain that Roeder would have read the pension footnote until she made him read it during the 2003 review process.

Mr. Dahlberg directed Ms. Morrow-Truver's attention to page 27-39 of Exhibit 1, reading the sentence that states that the funding deficit is supposed to be reported as an NPO "even though the shortfall is funded in a reserve." Ms. Morrow-Truver again explained her understanding that this language was not intentionally misleading because those preparing this section were in fact aware that there was a reserve in SDCERS that supported this deficit. Ms. Morrow-Truver did not learn until later on the flaws of the reserve system (in particular, that the reserve contained SDCERS, rather than City, assets). She did not believe that reading this language at the time would have raised concerns on its face.

Mr. Dahlberg asked Ms. Morrow-Truver whether she recalled finding it curious that the funding ratio information included in the 2002 CAFR was not up-to-date, particularly considering that it was anticipated at the time that the next released number would be lower than the last. Ms. Morrow-Truver explained that, under normal circumstances, the actuary's report is released several months after the CAFR is completed. She did not believe that the funding ratio

drop was sufficiently conspicuous at that point such that staff would have been awaiting the release of the new ratio.

Mr. Dahlberg inquired about Ms. Morrow-Truver's understanding of the impact of the *Corbett* settlement on the pension system and whether it should have been discussed in the pension footnote. Ms. Morrow-Truver believed that, during the relevant time period, people at the A&C actually thought that the *Corbett* payments were in fact contingent. She speculated that maybe the reality of this "contingency" was discussed by the SDCERS Board, but such discussion did not make its way into the channels of the A&C. The omission of the *Corbett* payment schedule was not initially brought up as an error during the 2003 review process. Mr. Dahlberg sought clarification whether they were just examining the 2002 CAFR errors during the 2003 review period, or also looking back at the previous years' CAFRs. Ms. Morrow-Truver affirmed that their only focus at that time was the 2002 CAFR. Mr. Dahlberg asked about their perception of the *Gleason* litigation. Ms. Morrow-Truver could not recall much about such discussion, but believed that they decided that it should be disclosed going forward.

In connection with this discussion of the errors in the pension footnote, Ms. Morrow-Truver offered that, referring to page 27-38 of Exhibit 1, SDCERS issued its own stand-alone financial statement that was available to the public. Ms. Morrow-Truver explained her previous understanding that a City department or office was not required to include a comprehensive footnote in the City CAFR if it issued a stand-alone statement. She understood this as being a tenet of GASB. Ms. Morrow-Truver explained that they have come to realize that it would be most prudent to complete both the stand-alone and the CAFR footnote in a comprehensive fashion.

2003 Review Process

Ms. Morrow-Truver explained that her primary staff during the 2003 review process was Jeanne Cole, Nicole Leclair-Miller, Christine Bolton and Judy Zellers. Ms. Morrow-Truver explained that she started with information from the 2002 CAFR, then looked at source documents, then recalculated the amount stated in the footnotes, noting that she had consulted Roeder about how to calculate certain pension numbers. Ms. Blaskey asked if there was a work plan that would support how this review process was conducted. Ms. Morrow-Truver explained that there was one or two binders with supporting information for the review process of each footnote. Ms. Morrow-Truver noted that the pension footnote required the most back-up information among all the footnotes, as it was the one that caused the most commotion in the first place. Ms. Morrow-Truver agreed that a greater amount of scrutiny was placed on the review of the pension footnote. Ms. Morrow-Truver explained that she did not work as much on the other footnotes as she did on the pension one; rather, staff, Graciano and the City Attorney's Office handled the review of some of the other footnotes, particularly ones with which they needed more experiential help.

Mr. Dahlberg asked Ms. Morrow-Truver to direct her attention back to Exhibit 1, the 2002 CAFR. Mr. Dahlberg asked Ms. Morrow-Truver about her reaction to the mistakes they discovered during the review process. Ms. Morrow-Truver responded that she thought the mistakes were sloppy and disappointing, but not a huge deal. She did not think that they had misstated the overall health of the City. Mr. Dahlberg asked her to more specifically walk through the process of review. She explained that there were three parallel reviews happening

simultaneously: she and her staff; Phil Phillips and his staff; and C&L. Each of the three groups compiled spreadsheets of the errors and potential problems and then reviewed and compared each other's notes. After the groups came to a conclusion about the final form and substance of their findings, they handed over the materials to Webber.

Ms. Morrow-Truver explained that all three groups thought the mistakes were not "material" (using this term in the accounting, not the legal, sense), though Webber disagreed. Ms. Morrow-Truver explained that they had gone through their notes and marked errors with either a "plus" or "minus" as to whether it could have had a major impact on the financial statement. However, they only did this for the footnote portion of the CAFR and not for the technical financial portion at the beginning of the CAFR. Ms. Blaskey asked if there was a materiality threshold for this analysis in terms of general accounting standards. Ms. Morrow-Truver explained that she recalled speaking with Gary Caporicci of C&L at the beginning of the process and that they had agreed that these decisions should be judgment calls. Ms. Morrow-Truver recalled that she had initially suggested five percent -- *i.e.*, a mistake would be material if the calculation in the footnote was off by more than five percent of the actual number -- and that they tried to get Caporicci to agree to a number, but that a certain percentage was never settled upon. In retrospect, Ms. Morrow-Truver believed that they would not have viewed a five percent error as material. Ms. Blaskey asked if they interpreted the errors' materiality in terms of each particular error's significance in isolation, or the significance of the totality of the errors. Ms. Morrow-Truver explained that she believed they looked at each line-item separately.

Ms. Morrow-Truver was asked what their objective was in undertaking the review, in particular whether they were trying to figure out how certain mistakes were made. Ms. Morrow-Truver responded that they were only trying to fix the errors. Ms. Morrow-Truver explained that she regularly reported to Ryan, Webster and Graciano during the review process from about August 2003 until January 2004. She explained that the three big reviews involved the 2002 CAFR, the Sewer stand-alone and the Water stand-alone. She believed that they did not complete the review of the stand-alones until around March 2004. Ms. Morrow-Truver noted that Wochaski served as the "Rudy for water and sewer," so they discussed errors with those statements primarily with him.

As for Webber's involvement in the process, Ms. Morrow-Truver explained that they had separate meetings with him, though these were mostly "educational" meetings. Sometimes Webber would be adamant that they had to disclose everything, which they did not necessarily agree with. Ms. Morrow-Truver stated that there arose a frustration with Webber, but that this was likely because of her, Ryan, Webster and the City's ignorance at the time as to what they should be disclosing. She explained that she, Graciano, Phil Phillips and Caporicci simply did not have a comprehensive understanding at the time (at least from a legal perspective) of what was necessary for full disclosure. Ms. Blaskey asked whether they solicited or received a City Attorney's Office opinion on this issue. Ms. Morrow-Truver explained that Girard was occasionally brought in for advice on certain issues and to serve as the liaison to Webber.

Rating Agencies

Ms. Morrow-Truver was asked whether their reluctance to disclose certain information derived from a general disinclination or from a belief that disclosure was not necessary. Ms. Morrow-Truver explained that it was probably a bit of both, as they would not

have wanted to air their "dirty laundry" if it was not required. Ms. Morrow-Truver stated that she did not believe the reluctance was related to a desire to avoid bond rating decreases. Based on personal opinion, she did not believe that the disclosure of the errors would have affected a person's decision to purchase or not purchase a bond. Mr. Dahlberg asked her whether she believed it *could* have an impact with rating agencies. Ms. Morrow-Truver noted that she did not meet with the rating agencies about the errors until mid-2004, after the review had been completed. Ms. Morrow-Truver later recalled that she also spoke with rating agencies regarding Tax Anticipation Note Series ("TANS") offerings. Nonetheless, her perception was that rating agencies did not have an overall negative perception of the City, aside from the ongoing problem of there not being a certified 2003 CAFR and the various allegations surrounding the pension fund.

Ms. Morrow-Truver was shown a May 5, 2000 email from Webster to Graciano regarding how cash-flow accounting errors were to be portrayed to rating agencies (Exhibit 2). In a preceding email in the chain from Graciano to Webster, Graciano had referenced that he previously spoke with Ms. Morrow-Truver about the issue of correcting cash-flow disbursement errors. After reading the exchange, Ms. Morrow-Truver explained that when there were errors in the allocation of revenue between funds throughout the year, they would discuss how to book the cash-flow at year-end. Ms. Blaskey asked Ms. Morrow-Truver whether she could recall, after reading Webster's explanation, the understanding that these types of mistakes should not be disclosed to rating agencies. Ms. Morrow-Truver explained that she did not think that this practice was misleading, but conceded that they would correct the entries to reflect how an item *should* have been accounted for (and ultimately was), rather than how it was initially inadvertently treated.

Ms. Morrow-Truver did recall times when transfers between funds should have been made but were not and, when this would happen, she said the accountants would discuss how to handle the error with her, Graciano, Webster and Ryan. Ms. Morrow-Truver repeated that she believed that the rating agencies had a high level of confidence in the City, and she acknowledged that there was a general concern to assure that they maintained that level of confidence. However, Ms. Morrow-Truver characterized these mistakes as non-material, noting that they did not think it was necessary to explain to the rating agencies the details of all these "stupid" mistakes. Ms. Morrow-Truver noted that this was her opinion, and she was not certain of Ryan or Webster's beliefs about these issues.

Ms. Morrow-Truver clarified that there were two separate aspects of what the City presented to the rating agencies. She explained that there was a projected cash-flow -- before a TANS offering -- and then an actual cash-flow statement. If there were mistakes made in allocation, there were "case-by-case bases" by which they could make small modifications to the projections. The usual example would occur when a revenue stream would come into the General Fund for a given month but was not immediately disbursed into the fund. In such cases, they would just book the revenue for the following month (when it was actually disbursed).

Ms. Blaskey inquired about Webber's review and perception of the CAFR errors. Ms. Morrow-Truver reiterated that, in her view, their original errors (in the FY 2002 CAFR and related documents) were just the result of sloppiness, and she was upset that all these sloppy errors had led to the necessity of the tremendous expense of both time and money in the past three years. She acknowledged that there were differences of opinion at the time regarding what

and how much needed to be disclosed, but she believed that there was no intent to engage in fraud. Ms. Morrow-Truver expressed with conviction that no one would have believed at the time that any of the errors were material or could lead to massive financial troubles. She was deeply saddened by how the whole process unraveled. Mr. Friese interjected that when one looks at all the small pieces that led up to the City's financial crisis, it does not seem as sinister as it may otherwise appear. Ms. Morrow-Truver added that she recalled having many conversations with Webber and Daniel Deaton (outside counsel from Orrick Herrington) regarding the dichotomy between accounting standards and legal standards and that these legal issues were somewhat foreign to her and the staff. She recalled eventually being persuaded to follow along with Webber's recommendations and, at that point, left it to him to draft the voluntary disclosure. Ms. Morrow-Truver posited that the City likely did not understand the seriousness of KPMG's inquiry and concerns at that time.

Audit Responsibilities

Mr. Dahlberg showed Ms. Morrow-Truver a December 17, 2001 email from Paul Barnett to Ms. Morrow-Truver regarding several audits Ms. Morrow-Truver and her staff had performed on SDCERS' operations and expenditures (Exhibit 3). Mr. Dahlberg asked whether it was typical that Ms. Morrow-Truver would be involved in audits of the pension fund. She explained that, when she returned to the City to manage the Audit Division of the A&C in 2001, she was in charge of these types of audits. Asked whether it was normal for the Audit Division to conduct audits of SDCERS, Ms. Morrow-Truver explained that they often audited "non-usual" disbursements such as the 13th Check and *Corbett* payments. She explained that the decision to undertake such audits was discretionary and would usually be part of their audit plan at the beginning of the year, though the City Council and other specific audit requests had some influence on their plan. Asked whether their work was viewed by the reviewee (*i.e.*, SDCERS) as an internal or outside audit, Ms. Morrow-Truver believed it was likely considered the latter.

Presidential Leave and Purchase of Service Credit

Mr. Dahlberg showed Ms. Morrow-Truver a September 10, 2002 email from Bob Lawrence to Ms. Morrow-Truver, Holly Reed-Falk, and Zellers regarding a draft of the Presidential Leave Resolution (Exhibit 4). Ms. Morrow-Truver explained that her office had been asked by the City Attorney's Office, in particular Deputy City Attorney Michael Rivo, to review the proposed Resolution conferring the Presidential Leave benefit. Since her office would eventually have to implement the benefit, she assumed Rivo wanted to ensure that the Resolution was clear and workable. Asked if she recognized the handwriting on the email, Ms. Morrow-Truver noted that it belonged to Webster. Ms. Blaskey asked Ms. Morrow-Truver what Zeller's position was. Ms. Morrow-Truver responded that Zellers was an Accountant IV and was involved with this issue because she was a retirement audit expert. Ms. Blaskey asked whether, as an auditor of retirement issues, it would be within her scope of duties to review financial statements. Ms. Morrow-Truver responded that Zellers audited day-to-day retirement issues, not financial statements.

Mr. Dahlberg showed Ms. Morrow-Truver a September 11, 2002 email from Lawrence to Rivo (Exhibit 5), including the questions and suggestions that were circulated to Ms. Morrow-Truver, Reed-Falk and Zellers in the preceding Exhibit 4. Directing Ms. Morrow-Truver to issue number 9 in the email (which raised an issue regarding the language in the

Presidential Leave Resolution), Mr. Dahlberg asked Ms. Morrow-Truver why her group was specifically concerned about the cost of SDCERS Board member and Firefighter Union president Ron Saathoff's benefit. Ms. Morrow-Truver could not recall if she was aware that every union president had a cap on their combined salary that would be used to calculate their pension, but she explained that they were most concerned with Saathoff's benefit because his combined union-City salary would approach the proposed ceiling.

Mr. Dahlberg showed Ms. Morrow-Truver a September 23, 2002 email from Roxanne Story Parks (Exhibit 6). The email chain involves correspondence between Ms. Morrow-Truver, Parks, Reed-Falk, Bob Wilson, and Webster concerning the proposed Ordinance amending the Municipal Code with regard to the changes to the purchase of service credit program. Mr. Dahlberg asked Ms. Morrow-Truver whether it was within the scope of her duties in the Audit Division to deal with proposed changes to the Municipal Code. Ms. Morrow-Truver explained that, as with the draft Resolution discussed in Exhibit 4, this type of responsibility may have arisen in connection with the future implementation and oversight of the program embodied in the piece of legislation. At this point, after reviewing the exhibit, Ms. Morrow-Truver explained that the age twenty-four exception to the 90% cap was a way of compensating for people who had previously taken advantage of the purchase of service credit program to attain creditable service that, in effect, extended their employment with the City to a time before their twenty-fourth birthday. Ms. Morrow-Truver did *not* think that Webster had come up with this concept.

Mr. Dahlberg showed Ms. Morrow-Truver an October 11, 2002 email from Labor Relations Manager Daniel Kelley to Ms. Morrow-Truver, Lawrence, Webster, Heap, Rivo, Sharon Marshall, and Cathy Lexin regarding the POA's acceptance of the proposed Presidential Leave Resolution (Exhibit 7). Directing Ms. Morrow-Truver to a Webster email in the correspondence chain (stating that the City and POA needed to memorialize the benefit agreement in some form), Mr. Dahlberg asked Ms. Morrow-Truver why Webster was so concerned about finalizing the Presidential Leave benefit at that time. Ms. Morrow-Truver speculated that it was because the union heads -- in particular, POA President Bill Farrar -- wanted to get this issue finalized and Webster wanted to remove this issue from her plate.

Mr. Dahlberg showed Ms. Morrow-Truver an August 30, 2003 email from Ms. Morrow-Truver to Grissom, Mike McGhee, Alex Ruiz, Zellers and Kyle Elser regarding a draft letter to Saathoff informing him of the proposed audit of his Presidential Leave benefit (Exhibit 8). Mr. Dahlberg asked Ms. Morrow-Truver about when potential problems with this benefit became apparent to her. Ms. Morrow-Truver explained that she understood that each of the three main players -- Saathoff, Farrar, and MEA Union President Judie Italiano -- were all differently situated in terms of the salaries they received. The objective of the audit was to ascertain that their benefits were treated equally in terms of present value.

Ms. Morrow-Truver then explained her understanding of the purchase of service credit plan, in particular the payments that were necessary in present value to acquire "air time" (*i.e.*, years of service). Ms. Morrow-Truver explained that, normally, the amount a person would owe to acquire air time would be calculated by SDCERS after a purchase application was requested. That calculation would remain available for sixty days. After sixty days, the proposed contract would expire, and the person would have to submit another request for an application. She explained that her interest was piqued because Saathoff had requested an

application, which he did not send in within sixty days, but still was able to take advantage of the cost quoted in that original contract. Various explanations had been given: he never received it, the application was lost, a change of address complicated the transaction. Regardless, Ms. Morrow-Truver believed that Saathoff should have known better and followed up on the initial application because of his position on the Retirement Board. He should have been aware of the obligations and procedures surrounding the purchase of service credit. She did not recall having a theory about culpability in this matter, though she was told it was the Retirement Board's fault.

Mr. Dahlberg showed Ms. Morrow-Truver a December 10, 2003 email from Elser to Ms. Morrow-Truver and Webster (Exhibit 9), which includes an earlier email from Webster seeming to indicate that she did not believe that the blame lay with SDCERS. Mr. Dahlberg asked Ms. Morrow-Truver what she understood Webster's opinion to be regarding this matter. Ms. Morrow-Truver could not recall, but she explained that "Ron got his way" and that there was "just this thing about Ron, whatever he did he was always able to get what he wanted." Mr. Dahlberg asked Ms. Morrow-Truver about Vincent Hayes, whose name she had earlier mentioned. She stated that he used to work with her in the Audit Division and then went to work for the Accounting Division within SDCERS.

Mr. Dahlberg showed Ms. Morrow-Truver an October 21, 2003 email from Barnett to Ms. Morrow-Truver, Ruiz and Zellers with an attached opinion from SDCERS Board General Council Loraine Chapin regarding Saathoff's purchase of service contract (Exhibit 10). Mr. Dahlberg asked Ms. Morrow-Truver why Chapin became involved in this matter. Ms. Morrow-Truver explained that her audit team believed that the issue of the discrepancy in cost of Saathoff's contract needed to be presented to the SDCERS Board. Chapin had initially said she would review the issue and ultimately submitted the opinion attached to the email, in which she stated that she did not believe it was necessary to alter Saathoff's contract or bring the matter before the Board. Ms. Morrow-Truver recalled that the Audit Division persisted in its efforts to bring it to the Board's attention (which it eventually did), emphasizing that they were conducting an independent audit and the issue of Saathoff's purchase of service credits needed to be fleshed out. In particular, she recalled emphasizing to Board administrative staff that this was not just an issue of administrative error, but rather potentially implicated conflict of interest concerns given Saathoff's position on the Board. Her team was most interested in what the Board would usually do in the typical case when a purchase of service applicant received the benefit as a result of a similar error. Ms. Morrow-Truver speculated that she did not believe that Chapin was protecting Saathoff, but rather that she was reluctant to bring a mistake to the attention of her de facto "boss," the Board.

Mr. Dahlberg showed Ms. Morrow-Truver an October 21, 2003 email from Zellers to Ms. Morrow-Truver and Elser regarding Ms. Morrow-Truver's resolve to bring the Saathoff purchase of service matter to the Board's attention (Exhibit 11). Ms. Morrow-Truver confirmed that she had this intent.

Mr. Dahlberg showed Ms. Morrow-Truver a collection of draft audit memos, one addressed to Chapin and the others to SDCERS Board member Richard Vortmann (Exhibit 12). The memo addressed to Chapin requested that she reconsider her decision not to present the Saathoff purchase of service matter to the Board; the memos addressed to Vortmann solicited a response to the matter. Mr. Dahlberg asked Ms. Morrow-Truver why these memos were constructed differently even though they both related to the same issue, that of Saathoff's

purchase of service credit. Ms. Morrow-Truver explained that the letter to Chapin was intended to just relate to her that the audit team intended to move forward in its effort to broaden the audit and present the issue to the SDCERS Board. The letter to Vortmann, on the other hand, was intended to provide him with specific background information so the Board could address the conflict of interest issue effectively. Ms. Morrow-Truver noted that she had to clear these letters with Ryan (and likely Webster) before they were delivered. She recalled that this was not a problem and that neither Ryan nor Webster had a problem with the Audit Division "taking on" the SDCERS Board. Mr. Dahlberg asked whether the SDCERS audit committee took an interest in the conflict of interest issue. She believed they did though she could not recall any specific follow-up from it. She recalled that they did eventually implement a procedure for potential conflicts of interest arising through Board members receiving certain types of benefits, but she was not more specific as to the nature of these procedures.

Mr. Dahlberg asked Ms. Morrow-Truver about how Webster dealt with the Saathoff purchase of service credit issue, considering it appeared to cross-over between her two separate spheres of duty: her employment as an auditor with the A&C and her position as a fiduciary on the SDCERS Board. Ms. Morrow-Truver recalled that Webster approached the issue exclusively as an auditor, noting that there was no question in her mind as to Webster's dedication to auditing this issue thoroughly. Ms. Morrow-Truver appeared to have a lot of faith in Webster's integrity, though it also seemed that the two had a close relationship. Ms. Morrow-Truver explained that, at the time of this audit, she believed that the decisions made were in the best interest of the Retirement System.

At this point, Ms. Morrow-Truver shared her overall belief that the decisions made regarding the funding of the pension fund were also made with the best interests of the City and its employees in mind, stressing that she believed the under-funding likely, in part, precluded the necessity of imminent lay-offs. Ms. Morrow-Truver recalled having conversations with Webster about funding issues and Webster's uncertainty as to what the best course of action would be in terms of her responsibilities as a SDCERS Board trustee. She could not recall these conversations occurring in either the context of MP-2 negotiations or a discussion of the trigger being approached. Rather, she recalled these conversations with Webster coming later on, when Webster retrospectively explained the various perspectives from the MP-2 time period about what should be done to "right the system." Ms. Morrow-Truver believed that people during the MP-2 time period did not believe that the pension fund was very unhealthy. Asked what she understood the expected "balloon payment" would have been at the time, Ms. Morrow-Truver surmised that it would have been the equivalent of the NPO (or, in other words, a one-time infusion to get the City back to full actuarial contributions).

Mr. Dahlberg asked Ms. Morrow-Truver whether, from her conversations with Webster or Mary Vattimo, she recalled the perception that the SDCERS Board members had struggled for legal guidance from the City during the MP2 negotiations. Ms. Morrow-Truver explained that she did get this sense, namely that Webster had sought certainty as to what she should be doing to discharge her fiduciary responsibilities prudently. Ms. Morrow-Truver then brought up another problem she perceived with the City, namely that in comparison to cities of equivalent size, the City did not issue enough debt and thus encountered more short-term fiscal quagmires. Thus, people in Webster's position were often forced to make difficult decisions

about how to ensure the City had sufficient funds to undertake all its projects and meet all of its obligations.

Corridor Funding Method

Mr. Dahlberg showed Ms. Morrow-Truver a September 18, 2003 email from Jeanne Cole to Ms. Morrow-Truver and Webster with an attached email from San Pedro to Cole regarding Roeder's failure to review the CAFR pension footnote (Exhibit 13). Mr. Dahlberg asked Ms. Morrow-Truver about her recollection of the interaction described between San Pedro and Roeder, in which San Pedro explained the numerous ways she tried to facilitate Roeder's review of the footnote in 2002 and his ultimate failure to do so. Ms. Morrow-Truver recalled that San Pedro had tried to ensure that Roeder reviewed the information about the corridor funding method. Mr. Dahlberg asked whether, after Roeder's eventual review, any of the information about corridor funding was removed. Ms. Morrow-Truver answered affirmatively. Ms. Morrow-Truver believed that those involved in the footnote process in 2002 had a sense that San Pedro did not understand corridor funding, so she was directed to speak to Roeder about the issue. Ms. Morrow-Truver explained that she did not think San Pedro had a complete understanding of retirement issues then *or now*. She further commented that she thinks it is still a problem that no one has taken over the role of retirement expert within the Audit Division.

Corbett

Mr. Dahlberg showed Ms. Morrow-Truver a September 19, 2003 email from Webster to Ms. Morrow-Truver and Cole regarding Webster's inquiry as to the disclosure of the *Corbett* contingent payment (Exhibit 14). Mr. Dahlberg asked Ms. Morrow-Truver about her recollection of the debate over the treatment of the *Corbett* settlement payments. Ms. Morrow-Truver recalled that the A&C staff relied on the language in GASB which allowed for the incorporation by reference to a stand-alone financial statement. Thus, they believed that they did not have to discuss this issue in the City CAFR pension footnote, as it was already addressed in the SDCERS CAFR. In retrospect, Ms. Morrow-Truver believed that they should have disclosed the information in both statements. Mr. Dahlberg asked whether the issue as to the disclosure of the full contingency was contemplated at the time of the email. Ms. Morrow-Truver explained that they did not understand this as an issue until the following year. Mr. Dahlberg asked Ms. Morrow-Truver who would have been involved in such a discussion. Ms. Morrow-Truver surmised that it would have been herself, San Pedro and likely Caporicci, noting that she did not think Graciano would have been engaged in the discussion.

Amortization Periods

Mr. Dahlberg showed Ms. Morrow-Truver an October 6, 2003 email from Webster to Ms. Morrow-Truver, Caporicci and Saiz with an attached email from Roeder to San Pedro and Webster regarding the varying amortization period for funding and expensing purposes (Exhibit 15). Mr. Dahlberg then directed Ms. Morrow-Truver's attention to a December 9, 2003 email from Ms. Morrow-Truver to Webster in which she inquires generally about the acceptability of Caporicci's explanation of the basis for the divergence (Exhibit 16). Mr. Dahlberg asked Ms. Morrow-Truver whether she ever believed that the use of divergent thirty and forty-year periods was problematic. Ms. Morrow-Truver explained that she had many conversations with Caporicci before the December 9, 2003 email and believed he understood the

reason for the difference. Mr. Dahlberg asked whether Ms. Morrow-Truver believed the use of the forty-year period may have been a way of pushing payments into the future. Ms. Morrow-Truver believed that Caporicci thought it was a completely acceptable way of measuring payment periods at the time and was not uncomfortable with the superficial inconsistency of the numbers. Ms. Morrow-Truver recalled that she believed it was acceptable because GASB did not prohibit it, which reflected their basic perspective at the time with regard to GASB. She pointed out that the amortization period was only switched to forty years in 2000 after they had initially started using a fifteen-year period, so she believed they had started too conservatively and needed to compensate.

Mr. Dahlberg showed Ms. Morrow-Truver an October 31, 2003 email from Ryan to Webster, which demonstrates the difference in costs to the City between the thirty-year period and the forty-year period (Exhibit 17). Mr. Dahlberg asked Ms. Morrow-Truver whether she would consider the difference -- \$26 million -- as material. She agreed that it would be clearly material, noting however that the calculation may not have been correct because they had been using the fifteen-year period for a while. Asked whether this issue ever came up in their discussions with Webber, Ms. Morrow-Truver recalled that they did discuss this matter with him and she could not recall him stating that this was prohibited. She believed that this matter just fell into a "grey area of accounting."

Shipione Allegations

Mr. Dahlberg showed Ms. Morrow-Truver a November 26, 2003 email from Elser to Ms. Morrow-Truver and Webster with an attached memo discussing the death match audits (Exhibit 18). Mr. Dahlberg asked Ms. Morrow-Truver about the first time she heard of Diann Shipione. Ms. Morrow-Truver recalled that she first became aware of her concerns in September 2003 when she was still in the Audit Division. Mr. Dahlberg asked why she did not hear about these allegations sooner considering her position in the Audit Division. Ms. Morrow-Truver explained that the only thing she would have looked at was Shipione's concerns with regard to the pension footnote -- as opposed to her prior allegations of a broader scope. Ms. Morrow-Truver recalled the death match audits and believed they performed a rather thorough audit. Asked whether she concluded when looking into this issue that there was the existence of fraud, Ms. Morrow-Truver explained that she believed the errors were not intentional and that sloppiness was the primary problem. Ms. Morrow-Truver had previously characterized certain of Shipione's allegations as political, and explained her rationale for making this statement was that she thought Shipione chose to take this particular issue (concerning deceased pensioners) to the media rather than to the Audit Division first. Ms. Morrow-Truver added that they had invited Shipione to come talk to them about this rather small issue and that Shipione instead took the issue public.

WF&G